

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Gladstone Area Schools</b>	County <b>Delta</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/18/05</b>	Date Accountant Report Submitted to State: <b>10/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

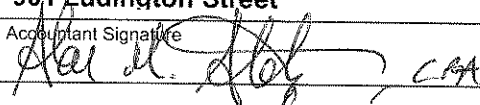
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>901 Ludington Street</b>		City <b>Escanaba</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49829</b>	Date <b>10/15/05</b>

**GLADSTONE AREA SCHOOLS**

**GLADSTONE, MICHIGAN**

**FINANCIAL REPORT WITH  
SUPPLEMENTAL INFORMATION**

**June 30, 2005**

**GLADSTONE AREA SCHOOLS**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Gladstone Area Schools  
Gladstone, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Gladstone Area Schools as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Gladstone Area School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gladstone Area Schools as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, on our consideration of the Gladstone Area School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 36 through 45, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gladstone Area School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit organizations*, and is not a required part of the basic financial statements. Additionally, the statements listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Andersey, Tackman & Company P.L.C.*  
Certified Public Accountants

August 18, 2005

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

This section of the Gladstone Area School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2005. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements. These statements are organized so the reader can understand Gladstone Area School's financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The Fund Financial Statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund, the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **Financial Section**

##### **Basic Financial Statements**

- District Wide Financial Statements

##### **Fund Financial Statements**

- Balance Sheet-Governmental Funds
- Statement of Revenues, Expenditures
- Statement of Fiduciary Net Assets
- Notes to Financial Statements

##### **Required Supplemental Information**

- Budgetary Comparison Schedules

##### **Other Supplemental Information**

- Combining Balance Sheet Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **The School District as a Whole**

The following summarizes the net assets at fiscal year ended June 30, 2004 and 2005:

#### **NET ASSETS SUMMARY**

<b>Assets</b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Current Assets	\$ 4,780,526	\$ 4,532,100
Capital Assets	<u>14,833,927</u>	<u>14,374,686</u>
Total Assets	<u>\$19,614,453</u>	<u>\$ 18,906,786</u>
<b>Liabilities</b>		
Current Liabilities	\$ 4,545,193	\$ 4,436,237
Long-term Liabilities	<u>18,365,662</u>	<u>18,125,353</u>
Total Liabilities	<u>\$22,910,855</u>	<u>\$ 22,561,590</u>
<b>Net Assets</b>		
Invested in property and equipment-net of related debt	\$ (752,445)	\$ (980,093)
Restricted	482,758	413,657
Unrestricted (Deficit)	<u>(3,026,715)</u>	<u>(3,088,368)</u>
Total Net Assets	<u>\$ (3,296,402)</u>	<u>\$ (3,654,804)</u>

The above analysis focuses on the net assets. The School District's net assets were a \$3,654,804 deficit as of June 30, 2005. Capital assets, net of related debt, totaled a \$980,093 deficit. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$413,657 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining \$3,088,368 deficit represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

The results of this year's operations for Gladstone Area Schools as a whole are reported in the statement of activities, which show the changes in net assets for fiscal year 2005. Following the rules of GASB 34, a revenue and expense comparison to the previous year is shown.

<b>Program Revenues:</b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Charges for Services	\$ 346,598	\$ 363,578
Operating Grants and Contributions	<u>905,366</u>	<u>1,117,410</u>
Total Program Revenue	<u>\$ 1,251,964</u>	<u>\$ 1,480,988</u>
 <b>General Revenues:</b>		
Property taxes levied for general operations	\$ 674,625	\$ 646,691
Property taxes levied for debt service	1,424,965	1,477,475
State Foundation Allowance	10,986,452	10,852,024
Other	<u>252,328</u>	<u>227,557</u>
Total General Revenues	<u>13,338,370</u>	<u>13,203,747</u>
 Total Revenues	<u>\$14,590,334</u>	<u>\$14,684,735</u>
 <b>Expenses:</b>		
Instruction	\$ 7,829,580	\$ 8,348,008
Support Services	3,914,488	4,051,113
Depreciation-Unallocated	541,973	539,028
Interest on Long-Term Debt	920,651	1,302,538
Athletics	180,964	186,539
Food Services	495,549	500,097
Public Library	<u>116,907</u>	<u>115,814</u>
Total Expenses	<u>\$14,000,112</u>	<u>\$15,043,137</u>
 Change in net assets	<u>\$ 590,222</u>	<u>\$ (358,402)</u>

As indicated above, net assets decreased by \$358,402. This decrease relates directly to the operations of the district during the year.

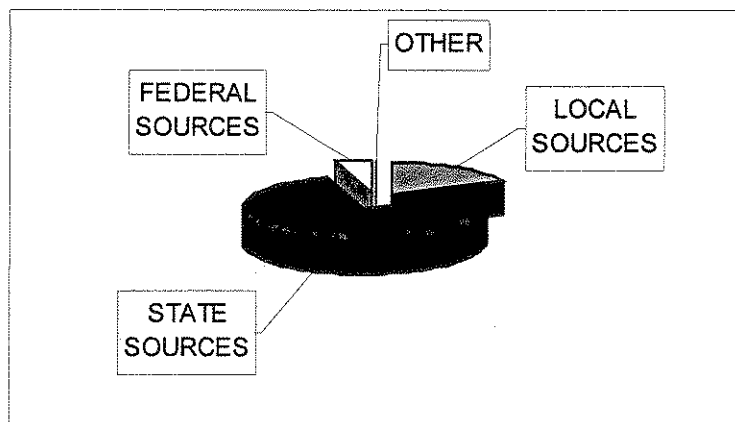


## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **Revenues**

The following chart illustrates the District's sources of revenues:



Revenue chart is based on all District Funds combined

#### **Sources of Revenues**

Local sources of revenues total \$2,635,074 and include revenues to the General Fund of \$748,938, School Lunch Fund of \$248,793, Athletic Fund of \$47,078, Public Library Fund of \$112,790, and Debt Retirement Fund of \$1,477,475.

State sources of revenues total \$11,207,836 and include revenues to the General Fund of \$11,180,947, School Lunch Fund of \$24,765, and Public Library Fund of \$2,124. State Sources of revenue make up 90.13% of General Fund Revenues. This ties the district directly to the State's overall economy.

Federal sources of revenues total \$673,896 and include revenues to the General Fund of \$475,985, and School Lunch Fund of \$197,911.

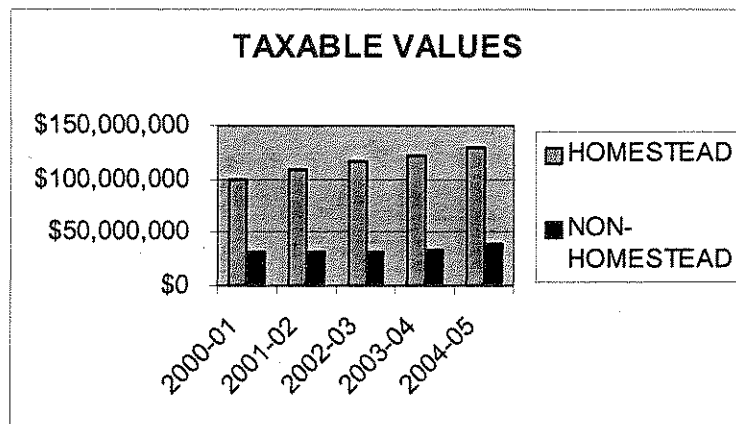
Other sources of revenues total \$6,981 and include revenue to the General Fund of \$175, and School Lunch Fund of \$6,806.

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **Property Taxes**

A significant portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$2,124,166. This amount is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 8.56-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments. Over the last 5 years taxable values have increased on average 6.06% and 4.9% for homestead and non-homestead properties, respectively. The following graph illustrates this increase:



#### **Unrestricted State Aid Foundation Allowance**

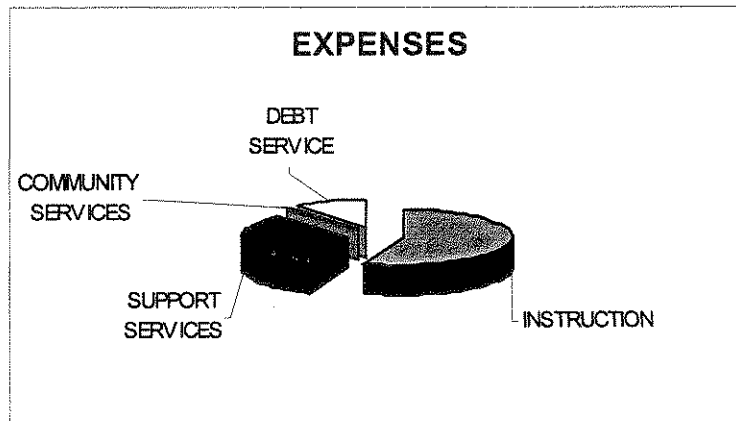
The most significant portion of funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$6,700 per student for the 2004-2005 fiscal year. This is the second year that the state froze the District's foundation allowance. The number of students to be funded is calculated by student enrollment blended at 75% of current year September count and 25% of prior year February count. Total blended student enrollment for this fiscal year is 1720.23. The overall funding is then reduced by the District's non-homestead tax levy based on 18-mills.

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **Expenses**

The following chart illustrates the District's expenses:



Expense chart is based on all District Funds combined

Expenses include Instruction of \$8,277,588, Support Services of \$4,817,536, Community Services of \$115,814, and Debt Service of \$1,616,817. School Lunch Fund and Athletic Fund expenses are included in Support Services.

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

At June 30, 2005, the District had \$22,958,529 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2004</u>	<u>2005</u>
Land	\$ 161,340	\$ 161,340
Land Improvements	536,800	545,368
Buildings and Improvements	20,505,934	20,522,518
Vehicles	948,174	963,962
Machinery and Equipment	<u>726,494</u>	<u>765,341</u>
Total	\$22,878,742	\$22,958,529
Less Accumulated Depreciation	<u>(8,044,815)</u>	<u>(8,583,843)</u>
Net Total	<u>\$14,833,927</u>	<u>\$14,374,686</u>

This was an increase in capital assets of \$79,787 over last year and includes land improvements, building improvements, vehicles, and equipment. Depreciation expense for the year is \$539,028.

##### **Debt**

At the end of this year the District had \$15,290,000 in General Obligation Bonds outstanding. This is a decrease of \$210,000, which is the result of principal payments made on the bonds and refunding a portion of the February 3, 1997 bond issue.

#### **Economic Factors and Next Year's Budgets and Rates**

The Board of Education and administration consider many factors when setting the School District's 2006 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of unrestricted foundation allowance.

The 2006 budget was adopted in June 2005, based on an estimate of students that will be enrolled in September 2005. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **Original vs. Revised Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget three times during the school year. For fiscal year 2004-2005, the budget was revised in October 2004, February 2005, and June 2005.

#### **General Fund Revenues**

Total revenues-June revision	\$12,450,973
Total revenues-original budget	<u>12,489,525</u>
Difference	<u>\$ (38,552)</u>

#### **Increase in Revenue Budget**

The District's actual general fund revenues were \$44,928 less than the revised budget, a variance of .36%

A significant revised budget adjustment for the year was:

- A decrease in federal grants due to cuts.

#### **General Fund Expenditures**

Total expenditures-June revision	\$12,580,096
Total expenditures-original budget	<u>12,311,917</u>
Difference	<u>\$ 268,179</u>

#### **Increase in Expenditure Budget**

The District's actual general fund expenditures were \$150,838 less than the revised budget, a variance of 1.2%

Some of the significant revised budget adjustments for the year include:

- Reinstatement of cuts made in the spring of 2004
- More retirements than were originally projected

## **GLADSTONE AREA SCHOOLS**

### **Management's Discussion and Analysis**

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office at Gladstone Area Schools, 400 South Tenth Street, Gladstone, Michigan, 49837.

GLADSTONE AREA SCHOOLS

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Equivalents	\$ 2,281,608
Investments	129,184
Accounts Receivable	2,110,855
Inventories	<u>10,453</u>
Total Current Assets	<u>4,532,100</u>
Non-Current Assets:	
Capital Assets - net	<u>14,374,686</u>
Total Assets	<u>\$ 18,906,786</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 284,963
Notes Payable	1,650,000
Interest Payable	437,880
Deferred Revenue	42,970
Accrued Payroll	712,852
Accrued Employee Benefits	525,193
Current Maturities of Long-Term Debt	<u>782,379</u>
Total Current Liabilities	<u>4,436,237</u>
Non-Current Liabilities:	
Bonds Payable	15,415,859
Notes Payable	1,935,461
Compensated Absences Payable	1,270,662
Early Retirement Payable	285,750
Less Current Maturities Reported Above	<u>(782,379)</u>
Total Non-Current Liabilities	<u>18,125,353</u>
Total Liabilities	<u>\$ 22,561,590</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	\$ (980,093)
Restricted for:	
Debt Service	413,657
Unrestricted (Deficit)	<u>(3,088,368)</u>
Total Net Assets	<u>\$ (3,654,804)</u>

See accompanying notes to financial statements.

# GLADSTONE AREA SCHOOLS

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Instruction:				
Basic Programs	\$ 6,844,220	\$ 48,533	\$ 99,581	\$ (6,696,106)
Added Needs	1,503,788	-	781,796	(721,992)
Total Instruction	8,348,008	48,533	881,377	(7,418,098)
Support Services:				
Pupil	434,854	-	-	(434,854)
Instructional Staff	232,851	-	-	(232,851)
General Administration	240,811	-	-	(240,811)
School Administration	903,673	-	-	(903,673)
Business	213,949	-	-	(213,949)
Operation and Maintenance	1,133,286	-	-	(1,133,286)
Pupil Transportation	629,492	-	-	(629,492)
Activities Office	109,319	-	-	(109,319)
School Improvement	4,049	-	-	(4,049)
Outgoing Transfers	163,422	-	-	(163,422)
Capital Outlay	(14,593)	-	-	14,593
Total Support Services	4,051,113	-	-	(4,051,113)
Other:				
Depreciation - Unallocated	539,028	-	-	(539,028)
Interest on Long-Term Debt	1,302,538	-	-	(1,302,538)
Athletics	186,539	47,078	-	(139,461)
Food Services	500,097	255,600	222,675	(21,822)
Public Library	115,814	12,367	13,358	(90,089)
Total Other	2,644,016	315,045	236,033	(2,092,938)
Total Governmental Activities	\$ 15,043,137	\$ 363,578	\$ 1,117,410	(13,562,149)
General Revenues:				
Taxes:				
Property Taxes Levied for General Operations				646,691
Property Taxes Levied for Debt Service				1,477,475
State Aid Formula Grants				10,852,024
Medicaid Reimbursement				37,547
Investment Earnings				50,452
Proceeds from Sale of School Property				175
City of Gladstone Public Library Appropriation				20,000
Penal Fines for Public Library Operations				69,189
Rental of School Facilities				4,566
Miscellaneous Sources				45,628
Total General Revenues				13,203,747
CHANGE IN NET ASSETS				(358,402)
Net Assets, Beginning of Year				(3,296,402)
NET ASSETS, END OF YEAR				\$ (3,654,804)

See accompanying notes to financial statements.



GLADSTONE AREA SCHOOLS

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2005

	General	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Equivalents	\$ 1,830,917	\$ 342,407	\$ 108,284	\$ 2,281,608
Investments	-	-	129,184	129,184
Accounts Receivable	2,082,534	-	28,321	2,110,855
Inventories	-	-	10,453	10,453
Due from Other Funds	40,845	-	-	40,845
<b>TOTAL ASSETS</b>	<b>\$ 3,954,296</b>	<b>\$ 342,407</b>	<b>\$ 276,242</b>	<b>\$ 4,572,945</b>
<b>LIABILITIES:</b>				
Accounts Payable	278,550	-	6,413	284,963
Notes Payable	1,650,000	-	-	1,650,000
Interest Payable	25,833	-	-	25,833
Deferred Revenue	146,010	-	7,456	153,466
Accrued Payroll	709,114	-	3,738	712,852
Accrued Employee Benefits	509,653	-	15,540	525,193
Due to Other Funds	-	-	40,845	40,845
<b>TOTAL LIABILITIES</b>	<b>3,319,160</b>	<b>-</b>	<b>73,992</b>	<b>3,393,152</b>
<b>FUND BALANCES:</b>				
Fund Balance:				
Reserved for Inventories	-	-	2,997	2,997
Reserved for Debt Service	71,250	342,407	-	413,657
Unreserved:				
Undesignated	563,886	-	-	563,886
Undesignated - Special Revenue Funds	-	-	70,069	70,069
Undesignated - Capital Project Funds	-	-	129,184	129,184
<b>TOTAL FUND BALANCES</b>	<b>635,136</b>	<b>342,407</b>	<b>202,250</b>	<b>1,179,793</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,954,296</b>	<b>\$ 342,407</b>	<b>\$ 276,242</b>	<b>\$ 4,572,945</b>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

June 30, 2005

Total fund balances - governmental funds	\$ 1,179,793
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is \$22,958,528, and the accumulated depreciation is \$8,583,842.

14,374,686

Long-term assets that are not available to pay for current period expenditures and are shown as deferred in the specific governmental funds.

110,496

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the specific governmental funds. Long-term liabilities at year-end consist of the following:

Bonds payable	\$ 15,415,859	
Notes payable - bleachers	64,779	
Note payable - State Bond Loan Fund	1,870,683	
Accrued interest on bonds and notes	412,046	
Compensated absences	1,270,662	
Early retirement payable	285,750	(19,319,779)

Total net assets - governmental activities	<u>\$ (3,654,804)</u>
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See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

For the year ended June 30, 2005

	General	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Local Sources	\$ 748,938	\$ 1,477,475	\$ 408,661	\$ 2,635,074
State Sources	11,180,947	-	26,889	11,207,836
Federal Sources	475,985	-	197,911	673,896
Other	175	-	6,806	6,981
<b>TOTAL REVENUES</b>	<b>12,406,045</b>	<b>1,477,475</b>	<b>640,267</b>	<b>14,523,787</b>
<b>EXPENDITURES:</b>				
Instruction:				
Basic Programs	6,773,800	-	-	6,773,800
Added Needs	1,503,788	-	-	1,503,788
<b>Total Instruction</b>	<b>8,277,588</b>	<b>-</b>	<b>-</b>	<b>8,277,588</b>
Support Services:				
Pupil	434,854	-	686,636	1,121,490
Instructional Staff	232,851	-	-	232,851
General Administration	240,811	-	-	240,811
School Administration	903,673	-	-	903,673
Business	213,949	-	-	213,949
Operation and Maintenance	1,133,286	-	-	1,133,286
Pupil Transportation	629,492	-	-	629,492
Activities Office	109,319	-	-	109,319
School Improvement	4,049	-	-	4,049
Outgoing Transfers	163,422	-	-	163,422
Community Services	-	-	115,814	115,814
Capital Outlay	35,897	-	29,297	65,194
Debt Service	50,067	1,566,750	-	1,616,817
<b>Total Support Services</b>	<b>4,151,670</b>	<b>1,566,750</b>	<b>831,747</b>	<b>6,550,167</b>
<b>TOTAL EXPENDITURES</b>	<b>12,429,258</b>	<b>1,566,750</b>	<b>831,747</b>	<b>14,827,755</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(23,213)</b>	<b>(89,275)</b>	<b>(191,480)</b>	<b>(303,968)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding Bond Proceeds	-	(6,820,000)	-	(6,820,000)
Payment to Refund Bond Escrow Agent	-	6,820,000	-	6,820,000
Interest Earned	36,172	10,574	3,706	50,452
Operating Transfers In	-	-	178,463	178,463
Operating Transfers Out	(178,463)	-	-	(178,463)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(142,291)</b>	<b>10,574</b>	<b>182,169</b>	<b>50,452</b>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER USES)</b>	<b>(165,504)</b>	<b>(78,701)</b>	<b>(9,311)</b>	<b>(253,516)</b>
Fund Balance, Beginning of Year	800,640	421,108	211,561	1,433,309
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 635,136</b>	<b>\$ 342,407</b>	<b>\$ 202,250</b>	<b>\$ 1,179,793</b>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$ (253,516)
The change in fund balances reported for governmental activities in the statement of activities is different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$539,028) exceeds capital outlays (\$79,787) for the period.	(459,241)
Repayment of principal on debt is an expenditure in the governmental funds but reduces the debt liability in the statement of net assets.	231,593
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the specific governmental funds.	110,496
In the statement of activities expenses for compensated absences and special termination benefits for early retirement are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount paid out during the year.	(70,420)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized when the interest accrues, regardless of when it is due. The additional interest reported is a net result of these factors.	82,686
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (358,402)</u>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	Private- Purpose Trusts	Agency Funds
ASSETS:		
Cash and Equivalents	\$ 15,858	\$ 107,457
Accounts Receivable	9,450	-
TOTAL ASSETS	<u>\$ 25,308</u>	<u>\$ 107,457</u>
LIABILITIES:		
Scholarships Payable	\$ 14,450	\$ -
Due to Student Groups	-	107,457
TOTAL LIABILITIES	<u>\$ 14,450</u>	<u>\$ 107,457</u>
NET ASSETS		
Reserved for Scholarships	\$ 10,029	
Unreserved	829	
TOTAL NET ASSETS	<u>\$ 10,858</u>	

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2005

	Private- Purpose Trusts
ADDITIONS:	
Gifts and Contributions	\$ 23,836
Interest Earned	28
TOTAL ADDITIONS	<u>23,864</u>
DEDUCTIONS:	
Scholarships Awarded	15,400
Miscellaneous	<u>2,332</u>
TOTAL DEDUCTIONS	<u>17,732</u>
CHANGE IN NET ASSETS	6,132
Net Assets, Beginning of Year	<u>4,726</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,858</u></u>

See accompanying notes to financial statements.

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gladstone Area Schools (The School District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the significant policies:

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant items in the statement include the following:

- A Management's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using the full accrual method of accounting for all of the District's activities.
- Fund financial statements that focus on the major funds of the District.

The District has also implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The pronouncement defines revenue recognition for nonexchange transactions at the fund and governmental levels.

(1) Reporting Entity – In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units as required under Government Accounting Standards Board Statement number 14, "The Financial Reporting Entity", as amended by GASB Statement number 39. Based upon the criteria outlined in this statement, the financial statements of the Gladstone Area Schools contain all the funds controlled by the District's Board of Education. There are no other entities that meet the criteria to be considered a blended component unit or a discretely presented component of the District, nor is the District a component unit of another entity.

(2) Basic Financial Statements – Government-Wide – The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts:

- Invested in capital assets, net of related debt – This category consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted net assets – This category consists of net assets with constraints placed on the use of the assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of the categories listed above.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The District's functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, and others).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the School District as an entity and the change in the District's net assets resulting from the current year's activities.

(3) Basic Financial Statements – Fund Financial Statements – The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise its' assets, liabilities, fund balances, revenues and expenditures. Government resources are allocated and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The various funds are grouped in the financial statements in this report into two broad fund categories and five generic fund types as follows:

#### Governmental Funds

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the activities of specific school service revenue sources such as the School Lunch Fund, Athletic and Bookstore Fund and Public Library Fund.



## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Project Funds - Capital project funds are used to account for financial resources to be used specifically for the acquisition, construction, or major repair of major capital facilities or other capital assets, including equipment. The Major Maintenance Fund and the Technology Fund are the capital project funds of the School District.

Debt Retirement Funds - Debt retirement funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

#### Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the school district in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Private Purpose Trust Funds and Agency Funds.

- a. Private-Purpose Trust Funds – Private-Purpose trust funds are used to account for the receipts and expenditures of assets held under a trust agreement. The Private-Purpose trust funds maintained by the District are the Scholarship Fund and the Health Services Fund.
  - b. Agency Funds - Agency funds are used to account for assets held by the District as trustee or agent for individuals, private organizations and other governmental units. The agency funds maintained by the District are the Flat Rock Activity, the Middle School Activity, the High School Activity, the Vocational Activity Fund and the James T. Jones Activity Fund.
- (4) Measurement Focus and Basis of Accounting – The basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus. The government-wide financial statements use the economic resources measurement focus.
- a. Accrual Basis – Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.
  - b. Modified Accrual Basis – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when the resource is both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures are generally recognized when the related fund liability is incurred with certain exceptions, such as interest of general long-term debt, which is recognized when due.
- (5) Investments – Investments are recorded at fair market value.

# GLADSTONE AREA SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(6) Inventory – The General Fund of the District utilizes the purchase method for recording the inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are acquired, regardless of when they are used.

The School Lunch Fund utilizes the consumption method of recording the inventory of food and supplies held for consumption, and accordingly, the inventory is recorded as an expenditure when it is used. This inventory is valued at the lower of cost (first-in, first-out) or market.

(7) Capital Assets – The accounting and reporting treatment applied to capital assets depends on whether the assets are reported in the government-wide financial statements or the fund financial statements.

#### *Government-wide Statements*

In the government-wide financial statements fixed assets are capitalized. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable. Donated fixed assets are recorded at their estimated fair market value at the date of donation.

Depreciation on all exhaustible fixed assets is recorded as an unallocated expense in the Statement of Activities with accumulated depreciation being reflected in the Statement of Net Assets. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and additions	50 years
Land improvements	15 - 20 years
Vehicles	8 years
Equipment	5 – 15 years

#### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

(8) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# GLADSTONE AREA SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported in the Statement of Net Assets and the Statement of Fiduciary Net Assets is presented below:

Financial statement presentation:	
Cash and Equivalents	\$ 2,404,923
Investments	<u>129,184</u>
 TOTAL	 <u><u>\$ 2,534,107</u></u>
 Composition of balances:	
Imprest Cash	\$ 837
Deposits:	
Checking Accounts	1,999,972
Savings Accounts	404,114
Investments	<u>129,184</u>
 TOTAL	 <u><u>\$ 2,534,107</u></u>

Cash and cash equivalents consist primarily of short-term investments with an original maturity of three months or less and are carried at cost, which approximates fair value.

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The District's investments are with the Michigan Liquid Asset Fund (MILAF). This is a mutual fund that is not subject to risk categorization. These investments are recorded at estimated fair value, which is based on quoted market prices.

*Interest Rate Risk.* The District carries no significant interest rate risk as all of its holdings are in bank accounts or mutual funds with a high degree of liquidity.

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of June 30, 2005, the

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### NOTE B – CASH AND EQUIVALENTS (continued)

District did not hold any commercial paper.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned. At June 30, 2005 the District held \$2,592,941 in checking and savings accounts. Of this amount \$2,277,305 was uninsured and uncollateralized.

*Concentration of Credit Risk.* The District has no significant concentration of credit risk due to fact that its deposits are with area banks or with the MILAF mutual fund.

*Foreign Currency Risk.* The District has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the District are in accordance with statutory authority.

#### NOTE C – CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Land (not being depreciated)	\$ 161,340	\$ -	\$ -	\$ 161,340
Land Improvements	536,800	8,568	-	545,368
Buildings and Improvements	20,505,934	16,584	-	20,522,518
Vehicles	948,174	15,788	-	963,962
Machinery and Equipment	726,494	38,847	-	765,341
Total	22,878,742	79,787	-	22,958,529
Accumulated Depreciation	(8,044,815)	(539,028)	-	(8,583,843)
Net Total	<u>\$ 14,833,927</u>	<u>\$ (459,241)</u>	<u>\$ -</u>	<u>\$ 14,374,686</u>

#### NOTE D - SCHOOL DISTRICT SCHOLARSHIP FUND

On March 17, 1997, the Gladstone Area School District entered into an agreement to create a charitable scholarship endowment within the Community Foundation for Delta County. The purpose of the fund is to benefit the education and development of graduates of the Gladstone Area School District through

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### **NOTE D – SCHOOL DISTRICT SCHOLARSHIP FUND (continued)**

scholarships for college or post-secondary education. These assets no longer appear in the financial statements of the Gladstone Area School District. All assets of the fund will be repaid to the School District upon termination of the Community Foundation. Remaining cash in the Gladstone Area School's Scholarship Fund will be used for various miscellaneous scholarships.

#### **NOTE E - ACCRUED FRINGE BENEFITS**

The District, as part of the various employment contracts with its personnel, allows for annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

Vacation Days – Various office, custodial and administrative employees of the District are allowed to accumulate vacation days in the year when they are earned. Year-round administrators, other than the superintendent, must use their vacation before June 30. Liability of the District for the employees' unused vacation days has been calculated to be \$41,446 at June 30, 2005.

Sick Leave - The various employment contracts with District personnel stipulate four different methods of accumulating and paying for unused sick leave.

Teachers - Twelve days are allowed annually, accumulative to 160 days. Accumulated days are payable only upon retirement or death, and then only to teachers with 10 years employment. The amount payable is at a rate of one-half of the teacher's daily rate of pay at time of retirement or death, multiplied by the number of accumulated unused sick days up to a maximum of 125 days.

Non-Teaching Employees - One day per month is allowed with a maximum accumulation of 132 days. For employees hired before July 1, 1984, up to 120 accumulated days are payable in total at the employee's prevailing rate of pay upon retirement or death. Employees hired July 1, 1984 and thereafter are paid for three-fifths of their accumulated sick days (maximum accumulation 72 days) times three-fifths of their prevailing rate of pay upon retirement or death.

Administrators - Thirteen days per year are allowed for all administrators, with a maximum accumulation of 165 days. Accumulated days are payable only upon retirement or death, and then only to administrators with 10 years employment. The amount payable is at a rate that varies from 55 percent to 60 percent of the administrator's daily rate of pay at retirement or death multiplied by the number of accumulated unused sick days up to a maximum of 125 days.

Superintendent - One day per month is allowed, accumulative to 160 days. Accumulated days are payable in total at the superintendent's actual rate of pay, upon retirement or death.

The total unused sick leave earned as of June 30, 2005 has been calculated to be \$2,698,222. The accrued liability of \$1,177,723 represents the amount expected to be paid upon retirement or death for employees

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### NOTE E – ACCRUED FRINGE BENEFITS (continued)

who have vested and those considered as likely to vest.

Personal Business Days - Teachers and administrators will be credited with three personal business days per school year, with an accumulation to a maximum of five days. Non-teaching employees will be credited with three personal days per school year.

A teacher may elect to either receive a reimbursement for unused personal days, up to a maximum of five days at the rate of a substitute teacher's daily salary, or to carry the personal days to the next year. Administrators add unused personal days to accumulated sick leave. Non-teaching employees may carry two personal days over to the next fiscal year.

The accrued liability for unused personal days as of June 30, 2005 amounted to \$51,493.

Early Retirement Incentive - During the year ended June 30, 2005, eligible employees were allowed to choose between two early retirement incentive plans. The current employment contracts with teachers and administrators allow the option of early retirement to those employees who meet state requirements for retirement. Qualified retirees shall receive an early retirement incentive of \$150 per month for a period of up to seven years. At June 30, 2005, 44 retirees were receiving, or eligible to begin receiving, this early retirement incentive. The total estimated early retirement incentive liability, under current employment contracts, as of June 30, 2005 amounted to \$285,750.

#### NOTE F - DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Deferred revenue represents unexpended funds received or receivable from state and federal project grants. Deferred revenue at June 30, 2005 consisted of the following:

General Fund:

At Risk Grant	\$ 8,569
Gifted & Talented	292
Durant	37,401
Vocational Education	26,653
2% Casino Revenue	54,160
Driver's Education	18,935
	<hr/>
Subtotal	146,010

Hot Lunch Fund:

Inventory	7,456
	<hr/>
Total	<u>\$ 153,466</u>

# GLADSTONE AREA SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE G – SHORT-TERM DEBT

The District's short-term debt activity, used solely for the purpose of operating cash flow, was as follows:

	Balance July 1, 2004	Additions	Repayments	Balance June 30, 2005
Michigan Municipal Bond Authority	<u>\$ 1,900,000</u>	<u>\$ 1,650,000</u>	<u>\$ 1,900,000</u>	<u>\$ 1,650,000</u>

### NOTE H - CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of the change in general long-term debt for the year ending June 30, 2005:

	Durant Bonds	General Obligation Bonds	Notes Payable	Accrued Fringe Benefits	Total
Balance, July 1, 2004	\$ 125,859	\$ 15,500,000	\$ 1,957,055	\$ 1,485,992	\$ 19,068,906
Additions	-	6,820,000	-	75,826	6,895,826
Retirements	-	(7,030,000)	(21,594)	(5,406)	(7,057,000)
Balance, June 30, 2005	<u>\$ 125,859</u>	<u>\$ 15,290,000</u>	<u>\$ 1,935,461</u>	<u>\$ 1,556,412</u>	<u>\$ 18,907,732</u>

At June 30, 2005 the School District's long-term debt consisted of the following:

#### Durant Bonds

Bonds payable, due in annual installments of principal and interest at a rate of 4.76%. Payments are due annually on May 15<sup>th</sup> beginning in 2006 and continuing until 2013.

\$ 125,859

#### General Obligation Bonds

February 3, 1997 issue due in two annual installments on May 1, 2006 of \$575,000 and May 1, 2007 of \$ 600,000. Interest is due semiannually at a rate of 6.5%.

\$ 1,175,000

December 3, 1998 issue used to refund a portion of the February 3, 1997 issue, due in annual installments varying from \$35,000 to the final principal payment of \$390,000 due May 1, 2026. Interest is due semiannually with variable rates ranging from 4.05% to 4.75%.

7,370,000

**GLADSTONE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

**NOTE H – CHANGES IN GENERAL LONG-TERM DEBT (continued)**

November 18, 2004 issue used to refund a portion of the February 3, 1997 issue, due in annual installments varying from \$60,000 to \$390,000 with the final principal payment being due on May 1, 2026. Interest is due semiannually at variable rates ranging from 2.5% to 4.5%. 6,745,000

TOTAL GENERAL OBLIGATION BONDS \$ 15,290,000

During the year the District engaged in an advanced refunding on a portion of the February 3, 1997 bond issue. The total new bonds issued was \$6,820,000 which defeased \$6,335,000 of the 1997 bonds. The total proceeds of the new issuance are being held in escrow and will be used to liquidate the outstanding 1997 bonds as well as the accrued interest as they become due. The difference in the cash flow of servicing the old bonds versus the new bonds is \$584,419. The economic gain from this transaction, based on a present value calculation at 3.9847673%, is \$382,086.

**Notes Payable**

June 4, 2002 borrowing due in variable semi-annual installments from November 1, 2002 through November 1, 2007, including interest at 3.5%. Principal payments are due annually from November 1, 2003 through November 1, 2007. \$ 53,384

June 4, 2002 borrowing due in variable semi-annual installments from November 1, 2002 through November 1, 2007, including interest at 3.5%. Principal payments are due annually from November 1, 2003 through November 1, 2007. 11,394

April 29, 1998, October 29, 1998, October 25, 1999, October 25, 2000, October 25, 2001 and October 25, 2002 borrowings from the Michigan Department of Treasury at various interest rates ranging between 5.125% and 2.875%. Payment schedule not determined. 1,870,683

TOTAL NOTES PAYABLE \$ 1,935,461

The estimated debt service requirements for principal to maturity as of June 30, 2005, with the exception of the Michigan Department of Treasury note and accrued fringe benefits other than early retirement, is as follows:



**GLADSTONE AREA SCHOOLS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

**NOTE H – CHANGES IN GENERAL LONG-TERM DEBT (continued)**

Year Ending 6/30	General Obligation Bonds	Notes Payable	Early Retirement Incentives	Principal Total	Interest Total
2006	\$ 689,536	\$ 21,593	\$ 71,250	\$ 782,379	\$ 678,984
2007	755,567	21,593	61,050	838,210	653,248
2008	745,465	21,593	48,750	815,808	593,748
2009	810,291	-	42,300	852,591	573,628
2010	770,000	-	32,700	802,700	537,867
2011-2015	3,755,000	-	29,700	3,784,700	2,252,045
2016-2020	3,635,000	-	-	3,635,000	1,452,877
2021-2025	3,555,000	-	-	3,555,000	648,963
2026-2030	700,000	-	-	700,000	32,475
<b>TOTAL</b>	<b>\$ 15,415,859</b>	<b>\$ 64,779</b>	<b>\$ 285,750</b>	<b>\$ 15,766,388</b>	<b>\$ 7,423,835</b>

**Accrued Employee Benefits**

Accrued employee benefits included in general long-term debt is for the accumulated terminal leave built up by employees from unused sick leave, vacation days, personal days and early retirement incentive, as is further discussed in Note E. The accumulated employee benefits included in general long-term debt at June 30, 2005 was \$1,556,412.

The debt service requirements for accrued employee benefits (except for early retirement incentives) are dependent upon future employee retirements and terminations. Thus future payments are unknown at June 30, 2005.

The debt service requirements for the note payable to Michigan Department of Treasury is not listed above as this note will be repaid as funds become available in the Debt Retirement Fund. Funds will become available as the debt retirement tax levy begins to exceed the debt payment schedule. A payment of \$127,633 occurred during the year ended June 30, 2005. The remainder of the debt repayment schedule remains uncertain.

**NOTE I - RESERVED FUND BALANCE**

Fund balance has been reserved in the general fund for the current portion of early retirement benefits in the amount of \$71,250.

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### **NOTE J – INTERFUND ACTIVITY**

During the year the District had interfund activity that was for operational purposes. As of June 30, 2005 the Hot Lunch Special Revenue fund had \$40,845 that was due back to the General Fund. In addition, the General Fund transferred \$138,431 to the Athletics & Bookstore Special Revenue Fund and \$40,032 to the Major Maintenance Capital Projects Fund during the year. For the government-wide financial statements this interfund activity has been eliminated.

#### **NOTE K - PROPERTY TAXES**

Property taxes levied attach as an enforceable lien on property. Taxes are levied on December 1, and payable by February 28 of the subsequent year. The School District tax is collected by the various local tax collecting units (townships, cities, etc.). Any real property taxes that are delinquent at March 1 are purchased by the Delta County Delinquent Tax Revolving Fund, thereby reducing the School District taxes receivable to only those personal property taxes which are uncollected and delinquent. The District tax rates are 18.00 mills per \$1,000 taxable value on non-homestead property for general operations and 8.56 mills per \$1,000 taxable value on both homestead and non-homestead property for debt retirement.

#### **NOTE L - RETIREMENT PLAN**

Plan Description - The School District contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing, multiple-employer, statewide public employee retirement plan governed by the State of Michigan. The District's total annual payroll for the year ended June 30, 2005 was \$7,725,905 of which \$7,545,105 was eligible compensation under MPSERS.

All non-student employees are eligible to participate in the MPSERS. Benefits vest after 10 years of service. Employees under the Basic Plan may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service or at age 60 with 5 years of service. Both Basic and MIP plan members may retire at age 55 with 15 years of service and receive reduced early retirement benefits. The System also provides survivor, death and disability benefits.

Benefits are paid monthly over the member's lifetime and are equal to 1.5% of the members' final average compensation multiplied by the member's years of credit service. The final average compensation period for Basic members is sixty consecutive months and for MIP members it is 36 consecutive months. Also under MPSERS, retirees have the option of continuing health, dental and vision coverage, with a portion of the cost being borne by them.

Contributions Required and Made - The District is required by state statute to contribute 14.87% of all eligible employees' salaries to the System. Employees who are members of the MIP (membership is required for employees hired after December 31, 1989) are required by statute to contribute an additional 4% of their salary to the Plan. Total School District contributions to the System for the years ended June 30, 2005, 2004, and 2003 were \$1,094,204, \$965,900, and \$1,012,575, respectively, which were equal to

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### **NOTE L – RETIREMENT PLAN (continued)**

the required contributions for each year.

MPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to MPERS at P.O. Box 30673, Lansing, MI 48909-8103, or by calling (517) 322-5103.

#### **NOTE M - STATE FOUNDATION REVENUE**

For the fiscal year ended June 30, 1995 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on 20 percent of pupil membership count taken in February of 2004 and 80 percent of pupil membership count taken in September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October through August. The local revenue is recognized as outlined in Note K which discusses property taxes.

#### **NOTE N - BUDGETS AND BUDGETARY ACCOUNTING**

The School District follows the procedures below in establishing the budgetary data reflected in the financial statements.

1. In June, the superintendent submits to the School Board proposed operating budgets for the fiscal year commencing the following July 1. Proposed budgets include projected expenditures and the means of financing them.
2. Numerous opportunities exist for public comment during the budget process, including at least two formal public hearings.
3. At the June School Board meeting, the budgets for the ensuing year are legally enacted through adoption by the Board and reference thereto in the Board minutes.
4. The general statute governing District budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act.

## GLADSTONE AREA SCHOOLS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

#### **NOTE N – BUDGETS AND BUDGETARY ACCOUNTING (continued)**

5. The Gladstone School District adopts its annual budgets on a program basis. The program is defined in a formal budget structure and glossary of terms adopted by Board action. The program budget structure consists of five levels of detail as follows:

Resource allocation  
Major functional group  
Department  
Program  
Activity

At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board, i.e., department, program, or activity level.

6. A detailed line item breakdown is prepared for each program, for the purpose of accounting control. Since each budget is adopted at a program level rather than the detailed line item level, transfers between line items are allowable without Board approval. Board approval is required for revision of any program budget.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts in the financial statements are as originally adopted or amended by the School Board. Any unexpended appropriations lapse at year-end.

#### **NOTE O – RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District had no outstanding claims that exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

## **GLADSTONE AREA SCHOOLS**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

#### **NOTE P - DURANT BONDS AND STATE REVENUE SOURCE**

The Gladstone Area Schools are to receive a total of \$394,007 as a result of the Durant lawsuit settlement. The Gladstone Area Schools received \$197,004 from Durant bond proceeds during fiscal year 1999 and will also receive \$197,004 over a ten-year period from 1999 to 2008. During fiscal year 1999, the Gladstone Area Schools received the entire \$197,004 Durant bond proceeds and the first of the payments of the settlement payments in the amount of \$19,700. During fiscal years 2000 – 2005 the District received each of the payments of \$19,700. As of June 30, 2005, \$78,804 is yet to be received from the State of Michigan.

The Durant bonds are a legal obligation of the school district and are recorded in these financial statements as long-term debt. The annual State of Michigan appropriation is the only revenue source for making the debt service payment on the bonds. If the state legislature fails to appropriate the funds, the District is under no obligation for payment.

#### **NOTE Q - OTHER COMMITMENTS AND CONTINGENCIES**

The retiree health, dental and vision coverage under the Michigan Public School Employees Retirement System (MPERS - see Note L) is currently funded on a pay-as-you-go basis. This funding policy is being challenged in the state courts. The outcome of this litigation and its potential effect on the School District are uncertain as of the date of these financial statements.

The District has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the District as of June 30, 2005.

**REQUIRED SUPPLEMENTAL INFORMATION**

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>REVENUES:</b>				
Local Sources:				
Property Tax Levy	\$ 641,641	\$ 646,693	\$ 646,691	\$ (2)
Preschool Fees	38,000	28,283	28,358	75
Drivers Education Fees	11,750	20,247	20,175	(72)
Rental of School Facilities	4,500	5,000	4,566	(434)
2% Casino Revenue	-	3,521	3,520	(1)
Miscellaneous	45,841	40,841	45,628	4,787
Total Local Sources	741,732	744,585	748,938	4,353
State Sources:				
State Aid - Foundation Grant	10,909,159	10,850,843	10,852,024	1,181
Other State Aid:				
Special Education	52,544	52,544	52,544	-
Drivers Education	11,751	4,501	4,501	-
Vocational Education	11,569	2,800	2,632	(168)
Durant Funds	37,400	37,400	-	(37,400)
At Risk Grant	282,317	268,155	268,046	(109)
Gifted & Talented	205	-	-	-
Tobacco Grant	-	1,200	1,200	-
Total State Sources	11,304,945	11,217,443	11,180,947	(36,496)
Federal Sources:				
IDEA Project	-	64,172	64,172	-
Medicaid Reimbursement	36,675	36,675	37,547	872
Title I	261,866	236,044	222,526	(13,518)
Title V	1,408	1,056	1,056	-
Title IIA	96,222	89,577	89,463	(114)
Title II Carryover	5,477	21,093	21,093	-
Indian Education	33,600	29,150	29,150	-
Drug Free Grant	7,500	10,978	10,978	-
Total Federal Sources	442,748	488,745	475,985	(12,760)
Other:				
Proceeds from the Sale of School Property	100	200	175	(25)
<b>TOTAL REVENUES</b>	<b>12,489,525</b>	<b>12,450,973</b>	<b>12,406,045</b>	<b>(44,928)</b>
<b>EXPENDITURES:</b>				
Instruction:				
Basic Programs:				
Elementary:				
Salaries:				
Teachers	\$ 1,707,556	\$ 1,757,251	\$ 1,757,250	\$ 1
Schedule B	-	618	618	-
Aides	-	10,233	10,232	1
Substitutes	28,500	32,918	32,918	-
FICA	134,181	145,560	145,559	1
Severance Pay	-	47,040	47,040	-
Insurance	455,416	438,466	438,465	1
Insurance Opt-out	4,440	3,240	3,240	-
Repair & Maintenance	21,084	22,845	22,844	1
Early Retirement	23,500	23,500	23,500	-
Retirement	258,151	265,452	264,013	1,439
Universal Buy In	-	30,000	30,000	-
Travel	5,921	501	501	-
Teaching Supplies	67,249	62,857	60,252	2,605
Textbooks	1,684	278	278	-
Workers' Compensation	-	3,608	3,607	1
Other Supplies	22,515	13,643	13,642	1
Total Elementary	2,730,197	2,858,010	2,853,959	4,051

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Middle School:				
Salaries:				
Teachers	1,007,079	1,089,585	1,089,585	-
Schedule B	11,723	12,015	12,015	-
Substitutes	23,050	14,960	14,960	-
Early Retirement	22,600	22,600	22,600	-
FICA	82,652	86,837	86,836	1
Severance Pay	20,812	-	-	-
Insurance	238,626	229,739	229,739	-
Other Supplies	4,000	3,800	3,550	250
Insurance Opt-out	5,160	5,940	5,940	-
Repair & Maintenance	6,550	7,075	6,800	275
Retirement	154,923	163,305	163,304	1
Travel	4,800	381	381	-
Unemployment	-	12,750	12,750	-
Workers' Compensation	-	2,181	2,181	-
Teaching Supplies	17,000	16,222	15,082	1,140
Textbooks	7,638	3,600	3,571	29
Total Middle School	1,606,613	1,670,990	1,669,294	1,696
Secondary:				
Salaries:				
Teachers	1,298,051	1,372,511	1,372,511	-
Schedule B	28,409	23,770	23,770	-
Substitutes	25,500	25,075	25,075	-
FICA	109,280	113,309	113,309	-
Severance Pay	62,435	25,608	25,608	-
Insurance	324,938	318,335	318,335	-
Insurance Opt-out	5,400	4,770	4,770	-
Repair & Maintenance	20,500	12,276	12,076	200
Early Retirement	13,700	16,270	15,950	320
Retirement	201,036	208,670	208,149	521
Travel	4,000	671	671	-
Unemployment	-	5,700	5,700	-
Workers' Compensation	-	2,755	2,755	-
Contracted Services	10,000	9,500	9,287	213
Teaching Supplies	46,800	43,902	41,034	2,868
Textbooks	3,000	-	-	-
Other Supplies	6,200	1,200	1,150	50
Total Secondary	2,159,249	2,184,322	2,180,150	4,172
Pre-School:				
Salaries:				
Teachers	15,918	15,918	15,918	-
Aides	7,869	7,772	7,771	1
Substitutes	500	44	44	-
FICA	1,996	1,954	1,953	1
Rentals	4,800	-	-	-
Insurance	23,765	24,566	23,585	981
Early Retirement	1,800	1,800	1,800	-
Retirement	3,610	3,530	3,529	1
Workers' Compensation	-	48	48	-
Teaching Supplies	515	513	508	5
Total Pre-School	60,773	56,145	55,156	989
Driver Training:				
Salaries	15,000	12,672	12,672	-
FICA	1,147	970	969	1
Vehicle Insurance	855	-	-	-
Retirement	2,231	1,784	1,600	184
Maintenance	2,000	-	-	-
Gas, Oil & Grease	1,690	-	-	-



GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Total Driver Training	22,923	15,426	15,241	185
Total Instruction - Basic Programs	6,579,755	6,784,893	6,773,800	11,093
Added Needs:				
Gifted and Talented:				
Travel	205	-	-	-
Special Education:				
Salaries:				
Teachers	498,268	518,847	518,847	-
Aides	118,674	129,282	129,278	4
Substitutes	9,669	9,219	9,169	50
Substitute Aides	4,660	8,050	7,970	80
FICA	48,544	51,303	50,647	656
Severance Pay	-	744	744	-
Insurance	185,245	176,304	176,156	148
Insurance Opt-out	1,800	1,800	1,800	-
Early Retirement	1,500	1,500	1,500	-
Retirement	93,870	99,387	97,843	1,544
Travel	3,690	1,370	1,324	46
Workers' Compensation	-	1,322	1,320	2
Teaching Supplies	7,440	6,940	6,177	763
Total Special Education	973,360	1,006,068	1,002,775	3,293
Title II:				
Salaries	40,172	57,780	57,780	-
FICA	3,073	4,420	4,382	38
Retirement	5,974	8,531	8,458	73
Purchased Services	10,927	10,551	10,551	-
Insurance	14,686	13,711	13,710	1
Travel	24,867	15,560	15,559	1
Workers' Compensation	-	117	116	1
Other Supplies	2,000	-	-	-
Total Title II	101,699	110,670	110,556	114
Mini Grants:				
Durant Funds	37,400	37,400	-	37,400
Voc Ed Added Cost	11,569	2,800	2,632	168
Tobacco Grant	-	1,200	1,200	-
At Risk Grant:				
Salaries	106,729	13,389	13,389	-
Insurance	26,496	-	-	-
Retirement	15,871	1,993	1,962	31
FICA	8,165	1,383	1,382	1
Other Supplies	1,500	7	6	1
Travel	1,500	-	-	-
Alternative Ed Students	122,057	104,186	104,186	-
Accelerated Reader	-	1,962	1,962	-
Workers' Compensation	-	29	28	1
Title V	1,408	1,056	1,056	-
Drug Free Grant	7,500	10,978	10,978	-
Total Mini Grants	340,195	176,383	138,781	37,602
Title I:				
Salaries				
Director	8,178	12,710	12,709	1
Teachers	63,220	43,476	35,540	7,936
Aides	88,210	80,517	78,413	2,104
Substitute Aides	2,000	1,060	1,054	6
FICA	11,613	13,916	13,125	791
Audit Services	600	600	600	-

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Insurance	48,620	48,125	47,826	299
Insurance Opt-out	1,200	1,200	1,200	-
Other Supplies	-	1,140	1,140	-
Retirement	22,394	26,870	24,508	2,362
Travel	5,695	1,401	1,401	-
Teaching Family Home	6,089	4,183	4,183	-
Workers' Compensation	-	305	304	1
Teaching Supplies	4,046	540	523	17
<b>Total Title I</b>	<b>261,865</b>	<b>236,043</b>	<b>222,526</b>	<b>13,517</b>
Indian Education:				
Salaries:				
Coordinator	19,062	20,408	20,408	-
Aides	4,000	1,820	1,820	-
FICA	1,764	1,726	1,726	-
Audit Services	300	300	300	-
Telephone	250	250	250	-
Retirement	2,996	3,242	3,242	-
Postage	125	125	125	-
Travel	1,000	379	379	-
Workers' Compensation	-	41	41	-
Other Supplies	4,103	859	859	-
<b>Total Indian Education</b>	<b>33,600</b>	<b>29,150</b>	<b>29,150</b>	<b>-</b>
<b>Total Instruction - Added Needs</b>	<b>1,710,924</b>	<b>1,558,314</b>	<b>1,503,788</b>	<b>54,526</b>
<b>Total Instruction</b>	<b>8,290,679</b>	<b>8,343,207</b>	<b>8,277,588</b>	<b>65,619</b>
Support Services:				
Pupil:				
Attendance:				
Salaries	25,723	25,169	25,169	-
FICA	1,968	1,926	1,925	1
Insurance	13,203	13,648	13,473	175
Workers' Compensation	-	113	113	-
Retirement	3,825	3,742	3,553	189
<b>Total Attendance</b>	<b>44,719</b>	<b>44,598</b>	<b>44,233</b>	<b>365</b>
Guidance:				
Salaries:				
Counselors	34,033	36,548	36,548	-
Secretary	23,991	24,056	24,056	-
Substitute Aides	850	-	-	-
FICA	4,641	4,859	4,858	1
Insurance	24,952	24,567	24,494	73
Early Retirement	6,800	6,800	6,800	-
Retirement	8,755	8,928	8,928	-
Workers' Compensation	-	182	181	1
Travel	600	-	-	-
<b>Total Guidance</b>	<b>104,622</b>	<b>105,940</b>	<b>105,865</b>	<b>75</b>
Health:				
Salaries	8,747	45,310	45,309	1
FICA	669	3,470	3,466	4
Insurance	2,963	13,720	13,719	1
Retirement	1,300	6,664	6,655	9
Workers' Compensation	-	98	94	4
Travel	-	91	91	-
Other Supplies	-	504	502	2
<b>Total Health</b>	<b>13,669</b>	<b>69,857</b>	<b>69,836</b>	<b>21</b>

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Speech, Pathology & Audiology:				
Salaries	74,443	88,210	88,209	1
FICA	5,695	6,749	6,748	1
Insurance	18,158	17,088	17,087	1
Retirement	11,070	13,106	12,987	119
Travel	640	-	-	-
Workers' Compensation	-	165	163	2
Teaching Supplies	900	700	580	120
Total Speech, Pathology & Audiology	110,906	126,018	125,774	244
Teacher Consultant:				
Salaries	-	61,642	61,641	1
FICA	-	4,716	4,716	-
Insurance	-	13,722	13,721	1
Retirement	-	9,089	8,945	144
Workers' Compensation	-	124	123	1
Total Teacher Consultant	-	89,293	89,146	147
Other Pupil Services:				
Homebound Services	2,000	-	-	-
Total Support Services - Pupil	275,916	435,706	434,854	852
Instructional Staff:				
Library:				
Salaries:				
Librarian	51,014	53,077	51,603	1,474
Clerks	77,549	69,592	69,591	1
Substitutes	3,164	2,891	2,891	-
FICA	11,474	10,129	9,517	612
Severance Pay	10,750	10,952	10,951	1
Insurance	40,956	48,762	47,905	857
Books	3,000	2,904	2,904	-
Periodicals	2,000	1,980	1,954	26
Other Supplies	1,869	1,877	1,876	1
Audio Visual Supplies	800	759	757	2
Insurance Opt-out	2,100	1,425	1,425	-
Early Retirement	5,400	5,400	5,400	-
Retirement	19,586	18,668	17,738	930
Workers' Compensation	-	465	464	1
Travel	200	357	355	2
Maintenance	4,000	4,000	4,000	-
Total Library	233,862	233,238	229,331	3,907
2% Casino Funds:				
Salaries:				
Aides	-	2,333	2,333	-
FICA	-	178	178	-
Retirement	-	345	345	-
Other Supplies	-	665	664	1
Total 2% Casino Funds	-	3,521	3,520	1
Total Support Services - Instructional Staff	233,862	236,759	232,851	3,908
General Administration:				
Board of Education:				
Purchased Services	10,000	12,747	12,746	1
Legal Services	30,000	19,433	13,468	5,965
Audit Services	10,000	9,400	9,400	-
Travel	2,700	1,344	1,211	133
Advertising:				

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Board	3,500	2,945	2,945	-
Elections	500	500	359	141
Election Supplies	1,500	-	-	-
Election Inspectors	2,000	2,375	2,375	-
Dues & Fees	5,500	3,600	3,547	53
Miscellaneous	2,700	2,200	1,964	236
Total Board of Education	68,400	54,544	48,015	6,529
Executive Administration:				
Salaries:				
Superintendent	95,605	91,750	91,750	-
Secretary	32,358	33,637	33,637	-
FICA	9,927	9,730	9,485	245
Insurance	30,529	28,434	28,434	-
Annuities	-	3,000	3,000	-
Office Supplies	2,700	1,500	1,127	373
Early Retirement	1,800	1,800	1,800	-
Retirement	19,028	18,403	18,114	289
Workers' Compensation	-	340	339	1
Dues & Fees	1,800	1,500	1,495	5
Travel	6,800	3,795	3,516	279
Miscellaneous	1,800	150	99	51
Total Executive Administration	202,347	194,039	192,796	1,243
Total Support Services - General Administration	270,747	248,583	240,811	7,772
School Administration:				
Office of the Principals:				
Salaries:				
Assistant Principals	67,800	94,282	94,281	1
Building Principals	277,363	286,275	285,274	1,001
Elementary Secretary	49,406	49,521	49,520	1
Secondary Secretary	55,782	55,183	54,865	318
Substitute Secretaries	3,525	3,690	3,689	1
FICA	35,157	37,944	37,826	118
Severance Pay	-	1,437	1,436	1
Purchased Services	15,928	17,100	16,880	220
Insurance	109,399	106,885	106,362	523
Insurance Opt-out	2,400	3,150	3,150	-
Office Supplies	5,916	1,635	1,282	353
Early Retirement	3,300	3,300	3,300	-
Retirement	67,493	72,162	71,076	1,086
Workers' Compensation	-	1,205	1,202	3
Dues & Fees	4,823	2,175	2,175	-
Travel	4,547	1,973	1,972	1
Other Supplies	11,902	3,782	3,082	700
Total Office of the Principals	714,741	741,699	737,372	4,327
Other School Administration:				
Director	63,767	66,346	66,346	-
FICA	4,878	5,081	5,081	-
Technology Supplies	20,000	20,000	11,996	8,004
Insurance	15,704	14,656	14,656	-
Retirement	9,482	9,866	9,713	153
Workers' Compensation	-	134	134	-
Novell Licenses	4,350	4,300	4,300	-
Travel	1,250	750	509	241
Telephone Maintenance	1,000	1,000	541	459
Contracted Services	53,323	53,241	48,043	5,198
Other Supplies	10,800	10,800	4,982	5,818
Total Other School Administration	184,554	186,174	166,301	19,873

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Total Support Services - School Administration	899,295	927,873	903,673	24,200
Business:				
Fiscal Services:				
Salaries:				
Business Manager	63,767	66,346	66,346	-
Assistant	39,302	40,784	40,784	-
FICA	7,885	8,201	8,201	-
Purchased Services	7,016	4,220	4,220	-
Insurance	30,467	28,375	28,375	-
Repair & Maintenance	1,000	1,078	1,077	1
Office Supplies	2,000	2,269	1,321	948
Retirement	15,326	15,930	15,465	465
Workers' Compensation	-	322	321	1
Dues & Fees	163	163	163	-
Travel	1,000	1,137	1,136	1
Other Supplies	2,000	1,500	1,219	281
Total Fiscal Services	169,926	170,325	168,628	1,697
Other Business Services:				
Workers Compensation	40,712	-	-	-
Unemployment Compensation	20,000	-	-	-
Building Insurance	26,089	30,906	30,906	-
Other Insurance	3,216	8,499	8,116	383
Taxes Written Off	10,000	6,300	6,299	1
Total Other Business Services	100,017	45,705	45,321	384
Total Support Services - Business	269,943	216,030	213,949	2,081
Operation & Maintenance:				
Operation & Maintenance of Plant:				
Salaries:				
Building & Grounds Supervisor	42,657	44,121	44,121	-
Custodians	326,855	322,000	319,148	2,852
Laborers	27,000	21,000	20,997	3
Substitute Custodians	18,350	26,850	25,759	1,091
Overtime Custodians	900	-	-	-
FICA	32,296	32,974	31,875	1,099
Severance Pay	-	4,875	4,875	-
Insurance	155,856	165,991	165,023	968
Postage & Mailing	14,800	11,220	11,142	78
Insurance Opt-out	1,200	1,200	1,200	-
Telephone	29,400	31,487	30,704	783
Rental	250	5,300	5,179	121
Natural Gas	144,000	181,176	178,646	2,530
Electricity	102,100	95,031	93,394	1,637
Waste & Trash Removal	7,800	8,378	8,311	67
Water & Sewage	17,950	12,888	12,551	337
Insurance - Vehicles	456	456	456	-
Repair & Maintenance	44,500	54,119	47,080	7,039
Snow Plowing	17,000	13,709	13,709	-
Gas, Oil & Grease	1,500	1,300	1,043	257
Liquid Gas	1,000	-	-	-
Custodial Supplies	27,500	27,800	21,455	6,345
Maintenance Supplies	18,000	19,119	18,521	598
Early Retirement	5,400	5,400	5,400	-
Retirement	61,794	63,112	59,009	4,103
Unemployment	-	732	732	-
Workers' Compensation	-	11,597	11,595	2
Travel	4,000	175	173	2
Small Tools	1,000	1,200	1,188	12
Total Support Services - Operation & Maintenance	1,103,464	1,163,210	1,133,286	29,924

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Pupil Transportation:				
Salaries:				
Director	43,259	44,840	44,840	-
Mechanic	29,101	29,110	29,110	-
Drivers	223,855	215,153	214,608	545
Substitute Aides	11,500	11,600	11,578	22
FICA	26,071	23,590	23,546	44
Severance Pay	25,446	27,426	27,426	-
Purchased Services	5,000	5,500	5,275	225
Insurance	120,970	122,706	120,776	1,930
Other Supplies	2,500	750	502	248
Insurance - Vehicles	11,894	6,981	6,981	-
Repair & Maintenance	3,950	6,000	3,684	2,316
Gas, Oil & Grease	46,000	56,725	53,151	3,574
Towing	1,000	500	463	37
Retirement	45,759	44,519	42,389	2,130
Early Retirement	7,650	7,650	7,650	-
Tires, Tubes & Batteries	5,000	5,200	5,160	40
Vehicle Repair Parts	31,000	29,029	25,368	3,721
Workers' Compensation	-	6,951	6,950	1
Travel	1,500	200	95	105
<b>Total Support Services - Pupil Transportation</b>	<b>641,455</b>	<b>644,430</b>	<b>629,492</b>	<b>14,938</b>
Activities Office:				
Salaries:				
Director	38,709	40,168	40,167	1
Secretary	24,703	24,590	24,589	1
Substitutes	250	390	390	-
FICA	4,870	4,984	4,984	-
Insurance	27,966	27,293	27,178	115
Repair and Maintenance	770	501	500	1
Office Supplies	1,165	1,165	1,156	9
Retirement	9,467	9,687	9,502	185
Dues & Fees	325	325	325	-
Workers' Compensation	-	195	194	1
Other Supplies	400	400	334	66
<b>Total Activities Office</b>	<b>108,625</b>	<b>109,698</b>	<b>109,319</b>	<b>379</b>
School Improvement:				
Staff/Personnel Services:				
Other Supplies	11,000	5,210	4,049	1,161
Outgoing Transfers:				
ISD Contracted Services	62,355	60,771	60,771	-
Alternative Ed Students	36,381	23,114	23,114	-
ISD Special Education	49,400	79,537	79,537	-
<b>Total Outgoing Transfers</b>	<b>148,136</b>	<b>163,422</b>	<b>163,422</b>	<b>-</b>
Capital Outlay:				
Operation of Plant	-	35,900	35,897	3
Debt Service:				
Principal Retirement	21,593	21,593	21,593	-
Interest and Fiscal Charges	37,202	28,475	28,474	1
<b>Total Debt Service</b>	<b>58,795</b>	<b>50,068</b>	<b>50,067</b>	<b>1</b>
<b>Total Support Services</b>	<b>4,021,238</b>	<b>4,236,889</b>	<b>4,151,670</b>	<b>85,219</b>
<b>TOTAL EXPENDITURES</b>	<b>12,311,917</b>	<b>12,580,096</b>	<b>12,429,258</b>	<b>150,838</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>177,608</b>	<b>(129,123)</b>	<b>(23,213)</b>	<b>105,910</b>

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the year ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES);				
Interest Earned	25,000	36,000	36,172	172
Operating Transfers Out	<u>(232,247)</u>	<u>(178,463)</u>	<u>(178,463)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(207,247)</u>	<u>(142,463)</u>	<u>(142,291)</u>	<u>172</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER USES)	(29,639)	(271,586)	(165,504)	106,082
Fund Balance, Beginning of Year	<u>800,640</u>	<u>800,640</u>	<u>800,640</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 771,001</u>	<u>\$ 529,054</u>	<u>\$ 635,136</u>	<u>\$ 106,082</u>

GLADSTONE AREA SCHOOLS

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

For the year ended June 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:				
Local Sources:				
Property Tax Levy	\$ 1,455,232	\$ 1,477,539	\$ 1,477,475	\$ (64)
EXPENDITURES:				
Debt Service:				
Principal	620,000	695,000	695,000	-
Interest and Fiscal Charges	799,358	871,814	871,750	64
TOTAL EXPENDITURES	1,419,358	1,566,814	1,566,750	64
EXCESS REVENUES (EXPENDITURES)	35,874	(89,275)	(89,275)	-
OTHER FINANCING SOURCES (USES):				
Refunding Bond Proceeds	-	-	(6,820,000)	6,820,000
Payment to Refund Bond Escrow Agent	-	-	6,820,000	(6,820,000)
Interest Earned	10,060	10,060	10,574	514
TOTAL OTHER FINANCING SOURCES (USES)	10,060	10,060	10,574	514
NET CHANGE IN FUND BALANCES	45,934	(79,215)	(78,701)	514
Fund Balance, Beginning of Year	421,108	421,108	421,108	-
FUND BALANCE, END OF YEAR	\$ 467,042	\$ 341,893	\$ 342,407	\$ 514



## **OTHER SUPPLEMENTAL INFORMATION**

GLADSTONE AREA SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	<u>Nonmajor Special Revenue Funds</u>			<u>Nonmajor Capital Project Funds</u>		<u>Total</u>
	<u>School Lunch</u>	<u>Athletic and Bookstore</u>	<u>Public Library</u>	<u>Technology</u>	<u>Major Maintenance</u>	<u>Nonmajor Governmental Funds</u>
ASSETS:						
Cash and Equivalents	\$ 58,603	\$ 8,102	\$ 41,579	\$ -	\$ -	\$ 108,284
Investments	-	-	-	9,672	119,512	129,184
Accounts Receivable	28,321	-	-	-	-	28,321
Inventory	10,453	-	-	-	-	10,453
<b>TOTAL ASSETS</b>	<b>\$ 97,377</b>	<b>\$ 8,102</b>	<b>\$ 41,579</b>	<b>\$ 9,672</b>	<b>\$ 119,512</b>	<b>\$ 276,242</b>
LIABILITIES:						
Accounts Payable	\$ 5,237	\$ 147	\$ 1,029	\$ -	\$ -	\$ 6,413
Deferred Revenue	7,466	-	-	-	-	7,466
Accrued Employee Benefits	12,951	-	2,589	-	-	15,540
Accrued Payroll	-	-	3,738	-	-	3,738
Due to Other Funds	40,845	-	-	-	-	40,845
<b>TOTAL LIABILITIES</b>	<b>66,489</b>	<b>147</b>	<b>7,356</b>	<b>-</b>	<b>-</b>	<b>73,992</b>
FUND BALANCES						
Reserved:						
Reserved for Inventory	2,997	-	-	-	-	2,997
Unreserved:						
Undesignated	27,891	7,955	34,223	9,672	119,512	199,253
<b>TOTAL FUND BALANCES</b>	<b>30,888</b>	<b>7,955</b>	<b>34,223</b>	<b>9,672</b>	<b>119,512</b>	<b>202,250</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 97,377</b>	<b>\$ 8,102</b>	<b>\$ 41,579</b>	<b>\$ 9,672</b>	<b>\$ 119,512</b>	<b>\$ 276,242</b>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2005

	<u>Nonmajor Special Revenue Funds</u>			<u>Nonmajor Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Lunch</u>	<u>Athletic and Bookstore</u>	<u>Public Library</u>	<u>Technology</u>	<u>Major Maintenance</u>	
REVENUES:						
Local Sources	\$ 248,793	\$ 47,078	\$ 112,790	\$ -	\$ -	\$ 408,661
State Sources	24,765	-	2,124	-	-	26,889
Federal Sources	197,911	-	-	-	-	197,911
Other	6,806	-	-	-	-	6,806
<b>TOTAL REVENUES</b>	<b>478,275</b>	<b>47,078</b>	<b>114,914</b>	<b>-</b>	<b>-</b>	<b>640,267</b>
EXPENDITURES:						
Support Services - Pupil:						
Food Services	500,097	-	-	-	-	500,097
Athletics & Bookstore	-	186,539	-	-	-	186,539
Total Support Services - Pupil	500,097	186,539	-	-	-	686,636
Community Services:						
Library	-	-	115,814	-	-	115,814
Capital Outlay	-	-	-	28,667	630	29,297
<b>TOTAL EXPENDITURES</b>	<b>500,097</b>	<b>186,539</b>	<b>115,814</b>	<b>28,667</b>	<b>630</b>	<b>831,747</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(21,822)</b>	<b>(139,461)</b>	<b>(900)</b>	<b>(28,667)</b>	<b>(630)</b>	<b>(191,480)</b>
OTHER FINANCING SOURCES:						
Interest Earned	997	128	520	700	1,361	3,706
Operating Transfers In	-	138,431	-	-	40,032	178,463
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>997</b>	<b>138,559</b>	<b>520</b>	<b>700</b>	<b>41,393</b>	<b>182,169</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(20,825)</b>	<b>(902)</b>	<b>(380)</b>	<b>(27,967)</b>	<b>40,763</b>	<b>(9,311)</b>
Fund Balances, Beginning of Year	51,713	8,857	34,603	37,639	78,749	211,561
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 30,888</b>	<b>\$ 7,955</b>	<b>\$ 34,223</b>	<b>\$ 9,672</b>	<b>\$ 119,512</b>	<b>\$ 202,250</b>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**COMBINING STATEMENT OF NET ASSETS  
PRIVATE PURPOSE TRUSTS**

June 30, 2005

	Health Services	Scholarship	Totals
ASSETS:			
Cash and Equivalents	\$ 829	\$ 15,029	\$ 15,858
Accounts Receivable	-	9,450	9,450
TOTAL ASSETS	<u>\$ 829</u>	<u>\$ 24,479</u>	<u>\$ 25,308</u>
LIABILITIES:			
Scholarships Payable	<u>\$ -</u>	<u>\$ 14,450</u>	<u>\$ 14,450</u>
NET ASSETS:			
Reserved for Scholarships	\$ -	\$ 10,029	\$ 10,029
Unreserved	829	-	829
TOTAL NET ASSETS	<u>\$ 829</u>	<u>\$ 10,029</u>	<u>\$ 10,858</u>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUSTS**

For the year ended June 30, 2005

	Health Services	Scholarship	Totals
ADDITIONS:			
Gifts and Contributions	\$ 2,617	\$ 21,219	\$ 23,836
Interest Earned	-	28	28
TOTAL ADDITIONS	2,617	21,247	23,864
DEDUCTIONS:			
Scholarships Awarded	-	15,400	15,400
Miscellaneous	2,263	69	2,332
TOTAL DEDUCTIONS	2,263	15,469	17,732
CHANGE IN NET ASSETS	354	5,778	6,132
Net Assets, Beginning of Year	475	4,251	4,726
NET ASSETS, END OF YEAR	<u>\$ 829</u>	<u>\$ 10,029</u>	<u>\$ 10,858</u>

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES**

For the year ended June 30, 2005

	<u>Balances 6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances 6/30/2005</u>
<u>FLAT ROCK ACTIVITY FUND</u>				
ASSETS:				
Cash in Bank	\$ 365	\$ -	\$ 365	\$ -
LIABILITIES:				
Due to Student Groups:				
Student Council	\$ 365	\$ -	\$ 365	\$ -
<u>MIDDLE SCHOOL STUDENT COUNCIL</u>				
ASSETS:				
Cash in Bank	\$ 34,237	\$ 22,406	\$ 30,562	\$ 26,081
LIABILITIES:				
Due to Student Groups:				
Cheerleaders	\$ 16	\$ -	\$ -	\$ 16
Music	-	9,158	8,477	681
Student Council	34,021	13,248	22,085	25,184
Friday Incentive Time	55	-	-	55
Athletics	145	-	-	145
TOTAL LIABILITIES	\$ 34,237	\$ 22,406	\$ 30,562	\$ 26,081
<u>HIGH SCHOOL ACTIVITY FUND</u>				
ASSETS:				
Cash in Bank	\$ 64,340	\$ 110,797	\$ 104,165	\$ 70,972
LIABILITIES:				
Due to Student Groups				
Class of 2005	\$ 5,593	\$ 4,626	\$ 9,848	\$ 371
Class of 2006	2,319	7,765	5,956	4,128
Class of 2007	1,129	5,763	1,250	5,642
Class of 2008	-	1,375	839	536
Building Use	716	410	748	378
Business Club	944	3,504	3,215	1,233
Creative Arts Club	128	431	-	559
Drama Club	3,681	2,446	1,315	4,812
French Club	1,795	3,068	3,271	1,592
Smith Scholarship	-	850	-	850
Industrial Arts Project	3,314	3,102	3,204	3,212
Key Club	921	1,741	1,048	1,614
Music	11,392	19,703	21,152	9,943
Natural Helpers	4,138	1,142	2,585	2,695

See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES**

For the year ended June 30, 2005

	Balances 6/30/2004	Additions	Deductions	Balances 6/30/2005
National Honor Society	\$ 347	\$ 4,399	\$ 4,246	\$ 500
Quill and Scroll	918	-	-	918
S.A.D.D.	-	750	142	608
Senior Magazine	75	1,690	1,425	340
Spanish Club	640	1,554	1,214	980
Weight Room	809	168	-	977
Student Activities	6,300	26,995	25,173	8,122
Student Council	739	4,351	3,785	1,305
Yearbook	17,798	14,964	13,749	19,013
John Hansen Scholarship	644	-	-	644
<b>TOTAL LIABILITIES</b>	<b>\$ 64,340</b>	<b>\$ 110,797</b>	<b>\$ 104,165</b>	<b>\$ 70,972</b>

JAMES T. JONES ACTIVITY FUND

ASSETS:

Cash in Bank	\$ 7,587	\$ 17,797	\$ 16,014	\$ 9,370
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LIABILITIES:

Due to Student Groups	\$ 7,587	\$ 17,797	\$ 16,014	\$ 9,370
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VOCATIONAL ACTIVITY FUND

ASSETS:

Cash in Bank	\$ 1,156	\$ 1,134	\$ 1,256	\$ 1,034
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LIABILITIES:

Due to Student Groups	\$ 1,156	\$ 1,134	\$ 1,256	\$ 1,034
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TOTAL - ALL AGENCY FUNDS

ASSETS:

Cash in Bank	\$ 107,685	\$ 152,134	\$ 152,362	\$ 107,457
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LIABILITIES:

Due to Student Groups	\$ 107,685	\$ 152,134	\$ 152,362	\$ 107,457
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See accompanying notes to financial statements.

GLADSTONE AREA SCHOOLS

**SCHEDULE OF TAXABLE VALUATIONS,  
TAX RATES AND TAX LEVIES**

June 30, 2005

	<u>Taxable Valuation</u>	<u>Per \$1,000 Valuation</u>	<u>Tax Levy</u>
GENERAL FUND:			
(on Non-Homestead taxable valuation only)			
City of Gladstone	\$ 20,630,726	18.0	\$ 371,353
Escanaba Township	12,399,366	18.0	223,189
Brampton Township	3,038,650	18.0	54,696
TOTALS	<u>\$ 36,068,742</u>	<u>18.0</u>	<u>\$ 649,237</u>
DEBT RETIREMENT FUNDS:			
(on total taxable valuation)			
City of Gladstone	\$ 79,632,300	8.56	\$ 681,652
Escanaba Township	73,671,887	8.56	630,631
Brampton Township	16,747,420	8.56	143,358
TOTALS	<u>\$ 170,051,607</u>	<u>8.56</u>	<u>\$ 1,455,642</u>

See accompanying notes to financial statements.



## **SINGLE AUDIT**



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL**  
**REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED**  
**ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Gladstone Area Schools  
Gladstone, Michigan 49837

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gladstone Area Schools, Gladstone, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Gladstone Area Schools' basic financial statements and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Gladstone Area Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Gladstone Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of the Gladstone Area Schools in a separate letter dated August 18, 2005.

This report is intended solely for the information and use of the School Board, management, state and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson, Tuckman & Company P.L.C.*

Certified Public Accountants

August 18, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM**  
**AND INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Gladstone Area Schools  
Gladstone, Michigan 49837

**Compliance**

We have audited the compliance of the Gladstone Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Gladstone Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Gladstone Area Schools' management. Our responsibility is to express an opinion on the Gladstone Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Gladstone Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Gladstone Area Schools' compliance with those requirements.

In our opinion, the Gladstone Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs or the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the Gladstone Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the

Gladstone Area Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Board, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.A.C.*  
Certified Public Accountants

August 18, 2005

**GLADSTONE AREA SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2005

Project Number	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Current Year Revenue Recognized	Accrued (Deferred) Revenue 6/30/2005
<b>FEDERAL GRANTOR/PASS THROUGH PROGRAM TITLE</b>							
<b>U.S. Department of Agriculture:</b>							
Received Directly:							
-	10.550	\$ 18,142	\$ 17,246	\$ 19,420	\$ 19,203	\$ 19,203	\$ (7,456)
-	10.550	3,030	3,119	3,030	3,030	3,030	-
		<u>21,172</u>	<u>20,365</u>	<u>22,450</u>	<u>22,233</u>	<u>22,233</u>	<u>(7,456)</u>
<b>PROGRAM TOTAL</b>							
Passed Through the State Department of Education:							
-	10.553	25,491	23,517	25,491	25,491	25,491	-
-	10.555	150,187	144,252	150,187	150,187	150,187	-
		<u>175,678</u>	<u>167,769</u>	<u>175,678</u>	<u>175,678</u>	<u>175,678</u>	<u>-</u>
<b>PROGRAM TOTAL</b>							
		<u>195,850</u>	<u>188,134</u>	<u>198,128</u>	<u>197,911</u>	<u>197,911</u>	<u>(7,456)</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>							
-	84.060	29,150	33,600	62,750	29,150	29,150	-
<b>U.S. Department of Education:</b>							
Received Directly:							
Title V, Part C - Indian Education							
31530-0203	84.010	278,293	19,063	-	-	-	-
31530-0304	84.010	11,469	11,469	1,204	-	-	-
41530-0304	84.010	221,013	194,001	80,366	27,012	27,012	-
41530-0405	84.010	11,462	-	10,322	11,461	11,461	1,139
51530-0405	84.010	204,904	-	173,003	184,053	184,053	11,050
		<u>727,141</u>	<u>224,533</u>	<u>264,895</u>	<u>222,526</u>	<u>222,526</u>	<u>12,189</u>
<b>PROGRAM TOTAL</b>							
Passed Through the State Department of Education:							
EC/A - Title I - 2003 Regular							
Title II, Part A	84.367	88,369	4,638	-	-	-	-
Title II, Part A, Carryforward	84.367	1,844	1,844	-	-	-	-
Title II, Part A	84.367	65,390	60,751	21,518	4,639	4,639	-
Title II, Part A, Carryforward	84.367	21,093	-	16,356	16,356	16,356	-
Title II, Part A	84.367	84,605	-	60,029	84,460	84,460	24,431
Title II, Part D	84.318	5,101	5,477	5,101	5,101	5,101	-
		<u>266,402</u>	<u>72,710</u>	<u>103,004</u>	<u>110,556</u>	<u>110,556</u>	<u>24,431</u>
<b>PROGRAM TOTAL</b>							
Title V							
30250-0203	84.298	1,446	69	-	-	-	-
40250-0304	84.298	1,408	1,408	471	-	-	-
50250-0405	84.298	1,056	-	1,056	1,056	1,056	-
		<u>3,910</u>	<u>1,477</u>	<u>1,527</u>	<u>1,056</u>	<u>1,056</u>	<u>-</u>
<b>PROGRAM TOTAL</b>							
		<u>997,453</u>	<u>298,720</u>	<u>369,426</u>	<u>334,138</u>	<u>334,138</u>	<u>36,620</u>
<b>TOTAL PASSED THROUGH THE STATE DEPARTMENT OF EDUCATION</b>							

See accompanying federal financial awards notes.

**GLADSTONE AREA SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2005

Project Number	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/2004	Current Year Receipts	Current Year Expenditures	Current Year Revenue Recognized	Accrued (Deferred) Revenue 6/30/2005
Passed through the ISD:								
-	84.186	3,943	3,943	-	-	-	-	-
-	84.186	10,978	-	-	10,978	10,978	10,978	-
PROGRAM TOTAL								
	84.027	14,921	3,943	-	10,978	10,978	10,978	-
Special Education - IDEA								
TOTAL PASSED THROUGH THE ISD								
		64,172	-	-	64,172	64,172	64,172	-
TOTAL PASSED THROUGH								
		79,093	3,943	-	75,150	75,150	75,150	-
TOTAL U.S. DEPARTMENT OF EDUCATION								
		1,076,546	302,663	71,908	444,576	409,288	409,288	36,620
		1,105,696	336,263	105,508	507,326	438,438	438,438	36,620
U.S. Department of Health and Human Services:								
Passed Through the Intermediate School District:								
-	93.778	45,590	45,590	-	-	-	-	-
	93.778	37,547	-	-	32,159	37,547	37,547	5,388
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
		83,137	45,590	-	32,159	37,547	37,547	5,388
TOTAL FEDERAL FINANCIAL ASSISTANCE								
		\$ 1,385,883	\$ 589,987	\$ 98,269	\$ 737,613	\$ 673,896	\$ 673,896	\$ 34,552

See accompanying federal financial awards notes.

## **GLADSTONE AREA SCHOOLS**

### **SCHEDULE OF FEDERAL FINANCIAL AWARDS NOTES**

For the year ended June 30, 2005

#### **NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the District's direct federal financial awards.

#### **NOTE B – BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

#### **NOTE C – FEDERAL GRANT RECEIPTS**

All federal grant receipts of the Gladstone Area Schools are included in the scope of this report.

#### **NOTE D – FORM R7120 RECONCILIATION**

The amounts reported on the R7120 Grants Section Auditors Report, reconciles with the Schedule of Expenditures of Federal Awards.

#### **NOTE E – EXPENDITURE AGREEMENT**

The expenditures in the Schedule of Expenditures of Federal Awards are in agreement with the amounts reported in the financial statements and the financial reports for the Gladstone Area Schools.

#### **NOTE F – USDA COMMODITIES AGREEMENT**

The amounts reported in the Schedule of Expenditures of Federal Awards agrees with the Recipient Entitlement Balance Report for the USDA Donated Food Commodities for the Gladstone Area Schools.



## GLADSTONE AREA SCHOOLS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2005

#### A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Gladstone Area Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements to be reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the financial statements on the Gladstone Area Schools disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs to be reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the Gladstone Area Schools expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was as follows:

Title I, CFDA #84.010
8. The threshold for distinguishing type A and B programs was \$300,000.
9. The Gladstone Area Schools does qualify as a low-risk auditee.

**GLADSTONE AREA SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2005

**B. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings.

**GLADSTONE AREA SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2005

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None.

**GLADSTONE AREA SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2005

**D. RESOLUTION OF PRIOR YEAR FINDINGS**

There were no prior year findings.



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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## **REPORT TO MANAGEMENT**

Board of Education  
Gladstone Area Schools  
Gladstone, Michigan

### **Audit Committee Communications**

We have audited the financial statements of Gladstone Area Schools for the year ended June 30, 2005, and have issued our reports thereon dated August 18, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered the Gladstone Area Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Gladstone Area Schools' financial statements are free of material misstatement, we performed tests of its' compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Gladstone Area Schools' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its' major federal programs for the purpose of expressing an opinion on the Gladstone Area Schools' compliance with those requirements. While our audit provides a reasonable basis for our

opinion, it does not provide a legal determination on the Gladstone Area Schools' compliance with those requirements.

As part of our audit, we considered the internal control structure of the Gladstone Area Schools. Management has the responsibility for adopting sound accounting policies for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

#### Significant Accounting Policies

Management has the responsibility for the selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Gladstone Area Schools are described in Note A of the financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Gladstone Area Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute or test the estimates. The most sensitive estimate affecting the financial statements was the determination of useful lives on fixed assets. These estimates are based on use history for similar type assets.

#### Significant Audit Adjustments

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

#### Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Gladstone Area Schools, or a determination of the type of auditor's opinion to be expressed on those financial statements, our professional standards require the consulting accountant advise us so we may determine if the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention as Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

#### **Comments and Suggestions**

In planning and performing our audit of the financial statements of the Gladstone Area Schools for the year ended June 30, 2005, we considered the School's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and/or operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 18, 2005, on the financial statements of the Gladstone Area Schools.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the School Board, the management of the District and state and federal agencies and is not intended and should not be used by anyone other than these specified parties.

*Anderson, Tockman & Company P.C.*  
Certified Public Accountants

August 18, 2005

# GLADSTONE AREA SCHOOLS

## **COMMENTS AND RECOMMENDATIONS**

June 30, 2005

### **WIRE TRANSFERS**

During our audit we noted that wire transfers received by the District were not always recorded in the receipt book. We recommend that all receipts, including wire transfers, be recorded in the receipt book. This will allow the receipt book to operate as an all-inclusive source of tracking revenue coming into the District.

### **RECEIPT DOCUMENTATION**

We noted three receipts, out of a sample of fifteen, which had no supporting documentation. While we recognize the difficulty of maintaining supporting documentation for certain types of receipts coming in from separate receipt functions, we recommend that the District attempt to maintain pertinent supporting documentation for all receipts coming into the District.

### **PROPERTY TAXABLE VALUES**

During our audit we noted that the homestead property tax value as listed on the July State Aid Financial Status Report did not match the taxable value as listed on the taxable value website. As indicated in the Michigan School Auditing Manual the District is required to notify the county treasurer and Phil Boone of the Michigan Department of Education about this difference.